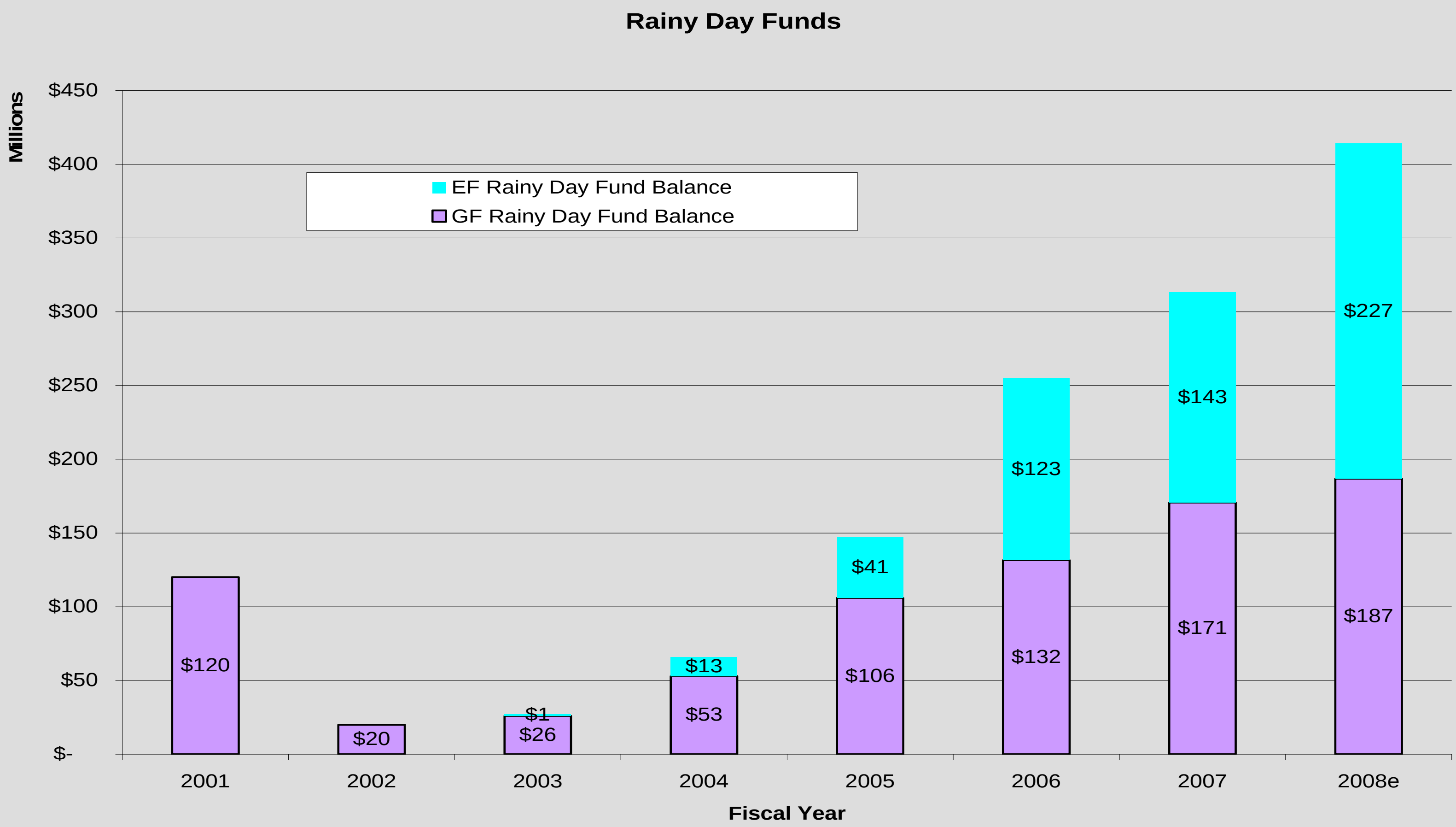
LFA

Legislative Fiscal Analyst

Rainy Day Funds Update

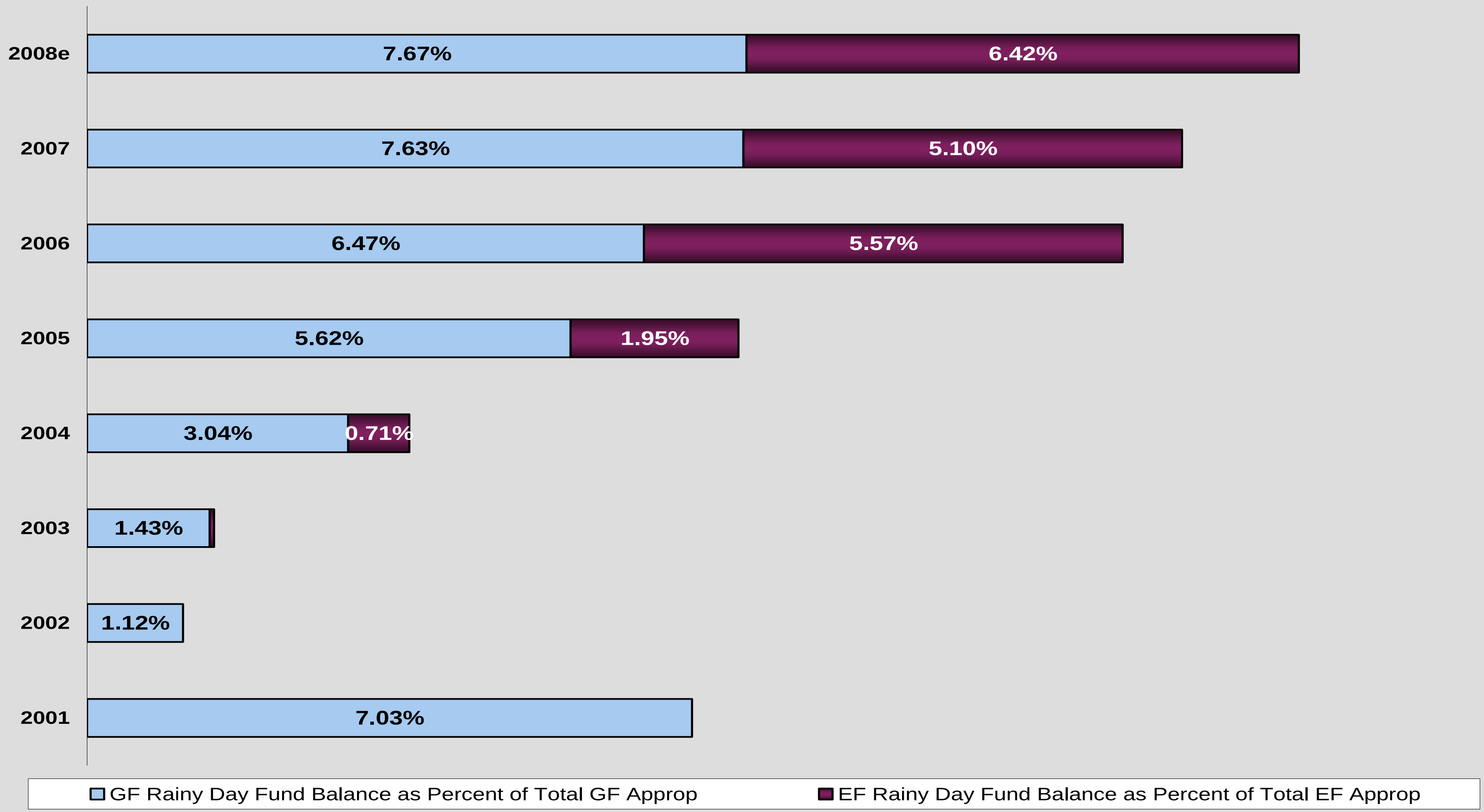
I. Balance of funds
II. What do other states do?
III. Where does Utah fit?
IV. What did House Bill 49, 1st Substitute do?
V. Why does the Executive Appropriations Committee require a officially adopted revenue estimate?

I. Balances of EF/GF Rainy Day Funds



*Assuming no transfers in or out over the coming year

I. EF/GF Rainy Day Funds as Percent of Total Appropriations



*Assuming no transfers in or out over the coming year

II. How do other states structure their rainy day funds?

- Only three states don't have a rainy day fund
- Deposits are either a line item appropriation or from fiscal year-end surplus
- Withdrawals usually must be approved by the Legislature; some are automatic given actual revenue collections
- Most rainy day funds are limited in size
- Some states have repayment provisions

III. Where does Utah fit?

- Unlike most states, Utah statute requires automatic deposits into the budget reserve accounts and are triggered when revenues exceed a targeted amount
- Like most states, Utah has limited the size of the budget reserve accounts to 6% (GF)/7% (EF)
- Like some other states, Utah requires repayment when funds are appropriated out of the budget reserve accounts
- Similar to other states, Utah requires authorization of the Legislature for withdrawals; some states give authority to the governor

IV. 2008 General Session Changes

- *House Bill 49, 1st Substitute* requires:
- the calculation of “revenue surplus” is defined as actual revenue minus adopted (by Executive Appropriations) revenues
- given a surplus, 25% of the surplus shall be deposited into the respective budget reserve accounts up to the maximum level before any contingent appropriations, year-end set-asides, and other year-end transfers required by law
- maximum levels of the budget reserve accounts (7% EF, 6% GF)
- up to 25% more of the surplus shall be automatically transferred to replace amounts appropriated out of the budget reserve accounts
- defines “budget deficit” as a situation where appropriations exceed estimated revenues as adopted by the Executive Appropriations Committee; defines “operating deficit” as a situation where the GF or EF have an unreserved or undesignated fund balance of less than zero
- requires a new volatility report every 3 years

LFA
Legislative Fiscal Analyst

V. Why adopt a final revenue number?

- *House Bill 49, 1st Substitute* defines Education Fund revenue surplus and General Fund revenue surplus:

  GF/EF revenue surplus = actual GF/EF revenue collected – estimated revenues as adopted by Executive Appropriations

- Because surplus is defined as actual over estimated revenues, statute requires an official revenue estimate adjusted for legislative changes during the session, as adopted by Executive Appropriations
- The definitions in the bill, among other things, simplifies the calculation of a surplus

LFA

Legislative Fiscal Analyst